

**REGISTRAR OF  
COMPANIES**

**Gravity Media Group Limited**

**Report and Financial Statements**

**Year Ended**

**30 June 2004**



**BDO**

**BDO Stoy Hayward**  
Chartered Accountants

# **Gravity Media Group Limited**

## **Annual report and financial statements for the year ended 30 June 2004**

---

### **Page:**

1	Report of the directors
3	Report of the independent auditors
5	Consolidated profit and loss account
6	Consolidated statement of recognised gains and losses
7	Consolidated balance sheet
8	Company balance sheet
9	Consolidated cash flow statement
10	Notes forming part of the financial statements

---

### **Directors**

J Newton  
W Newbert

### **Secretary and registered office**

W Newbert, Unit 14 Olympic Industrial Estate, Fulton Road, Wembley, Middlesex, HA9 0TF.

### **Company number**

3879766

### **Bankers**

Barclays Bank plc, Soho Square Business Centre, 27 Soho Square, London, W1D 3QR.

### **Auditors**

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL.

## **Gravity Media Group Limited**

### **Report of the directors for the year ended 30 June 2004**

---

The directors present their report together with the audited financial statements for the year ended 30 June 2004.

#### **Results and dividends**

The profit and loss account is set out on page 5 and shows the profit for the year.

In view of the group's growth objectives, the directors do not recommend the payment of a dividend.

#### **Principal activity, trading review and future developments**

The company acts as a holding company. The principal activity of the group is the supply of television broadcast equipment and services to the global broadcast market.

The directors are pleased to report turnover of £18.1m and EBIT of £1.5m. At 30 June 2004 the group held hire stock of £22.8m, cash reserves of £1.0m and retained net assets of £5.8m.

The group was a leading facilities provider at Euro 2004. In addition to projects the group successfully continues to grow and develop its rental and sales operations.

The business continues to perform in line with expectations despite challenging market conditions and the Board expect to deliver comparable results for the year ending 30 June 2005.

On 23 April 2004 the company repurchased and cancelled 50,000 'B' ordinary shares with an aggregate nominal value of £50,000. These shares were repurchased from the former parent company, Gearhouse Group plc. The repurchase represented the entire called up 'B' ordinary share capital, and was for an aggregate consideration of £200,000.

#### **Post balance sheet events**

These are detailed in note 25 to the financial statements.

#### **Directors**

The directors of the company during the year together with their interests in the shares of the company were as follows:

	Ordinary shares of £1 each		'A' ordinary shares of £1 each	
	2004	2003	2004	2003
J Newton	21,327	21,327	378,673	378,673
W Newbert	6,250	6,250	-	-

There are no other directors' interests requiring disclosure under the Companies Act 1985.

## Gravity Media Group Limited

### Report of the directors for the year ended 30 June 2004 (*Continued*)

---

#### Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Auditors

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

#### On behalf of the Board

J Newton  
Director



Date

28 / APRIL / 2005 .

## **Gravity Media Group Limited**

### **Report of the independent auditors**

---

#### **To the shareholders of Gravity Media Group Limited**

We have audited the financial statements of Gravity Media Group Limited for the year ended 30 June 2004 on pages 5 to 23 which have been prepared under the accounting policies set out on pages 10 and 11.

#### *Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *Basis of audit opinion*

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

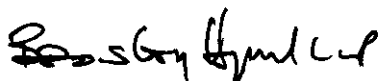
**Gravity Media Group Limited**

**Report of the independent auditors (*Continued*)**

---

*Opinion*

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30 June 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**BDO STOY HAYWARD LLP**

*Chartered Accountants  
and Registered Auditors*  
London

Date *28 April 2005*

**Gravity Media Group Limited****Consolidated profit and loss account for the year ended 30 June 2004**

	Note	2004 £'000	2003 £'000
<b>Turnover</b>	2	18,060	16,364
Cost of sales		(11,858)	(9,559)
<b>Gross profit</b>		6,202	6,805
Administrative expenses		(4,695)	(5,190)
<b>Operating profit</b>	3	1,507	1,615
Interest receivable	6	25	56
Interest payable and other similar charges	6	(306)	(528)
<b>Profit on ordinary activities before taxation</b>		1,226	1,143
Taxation	7	(497)	(394)
<b>Retained profit for the financial year</b>	19	729	749

All amounts relate to continuing operations.

The notes on pages 10 to 23 form part of these financial statements.

**Gravity Media Group Limited**

**Consolidated statement of recognised gains and losses for the year ended 30 June 2004**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the financial year	729	749
Exchange differences	9	162
Share buy back	(200)	-
	<hr/>	<hr/>
Recognised gains and losses since last annual report	538	911
	<hr/>	<hr/>

The notes on pages 10 to 23 form part of these financial statements.


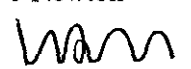


# Gravity Media Group Limited

## Consolidated balance sheet at 30 June 2004

	Note	2004 £'000	2004 £'000	2003 £'000	2003 £'000
<b>Fixed assets</b>					
Intangible assets	9		243		258
Tangible assets	10		11,547		10,526
			<hr/>		<hr/>
			11,790		10,784
<b>Current assets</b>					
Stocks	12	1,223		461	
Debtors	13	2,768		1,059	
Cash at bank and in hand		943		1,551	
		<hr/>		<hr/>	
		4,934		3,071	
<b>Creditors: amounts falling due within one year</b>	14	7,644		4,362	
		<hr/>		<hr/>	
<b>Net current liabilities</b>			(2,710)		(1,291)
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			9,080		9,493
<b>Creditors: amounts falling due after more than one year</b>	15		2,647		3,531
<b>Provision for liabilities and charges</b>	16		618		685
			<hr/>		<hr/>
<b>Net assets</b>			5,815		5,277
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	17		450		500
Share premium	18		675		675
Capital redemption reserve	18		50		-
Profit and loss account	18		4,640		4,102
			<hr/>		<hr/>
<b>Shareholders' funds - equity</b>	19		5,815		5,277
			<hr/>		<hr/>

The financial statements were approved by the Board on 28/APRIL/2005.

 J Newton )  
 W Newbert ) Directors

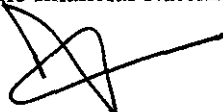
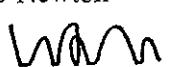
The notes on pages 10 to 23 form part of these financial statements.

# Gravity Media Group Limited

## Company balance sheet at 30 June 2004

	Note	2004 £'000	2004 £'000	2003 £'000	2003 £'000
<b>Fixed assets</b>					
Investments	11		1,738		1,738
<b>Current assets</b>					
Debtors	13	-		659	
<b>Creditors: amounts falling due within one year</b>	14	167		592	
<b>Net current assets</b>			(167)		67
<b>Net assets</b>			1,571		1,805
<b>Capital and reserves</b>					
Called up share capital	17		450		500
Share premium	18		675		675
Capital redemption reserve	18		50		-
Profit and loss account	18		396		630
<b>Shareholders' funds - equity</b>	19		1,571		1,805

The financial statements were approved by the Board on 28/ APRIL /2005.

  
 J Newton )  
  
 W Newbert ) **Directors**

The notes on pages 10 to 23 form part of these financial statements.

**Gravity Media Group Limited**

**Consolidated cash flow statement for the year ended 30 June 2004**

	Note	2004 £'000	2004 £'000	2003 £'000	2003 £'000
<b>Net cash inflow from operating activities</b>	21		6,171		1,264
<b>Returns on investment and servicing of finance</b>					
Interest received		25		56	
Interest paid		(300)		(123)	
Finance lease interest paid		(6)		(405)	
<b>Net cash outflow from returns on investment and servicing of finance</b>			(281)		(472)
<b>Taxation</b>					
Corporation tax paid			(641)		(334)
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(5,097)		(1,983)	
Sale of tangible fixed assets		548		2,139	
Repurchase of 'B' ordinary shares		(200)		-	
<b>Net cash (outflow)/inflow from capital expenditure and financial investment</b>			(4,749)		156
<b>Cash inflow before financing</b>			500		614
<b>Financing</b>					
Inception of borrowing		-		5,470	
Repayment of borrowing		(2,379)		(1,152)	
Inception of finance leases		1,308		1,064	
Capital element of finance lease rentals		(37)		(6,897)	
<b>Cash outflow from financing</b>			(1,108)		(1,515)
<b>Decrease in cash in the year</b>	23		(608)		(901)

The notes on pages 10 to 23 form part of these financial statements.

# Gravity Media Group Limited

## Notes forming part of the financial statements for the year ended 30 June 2004

---

### 1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

#### *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the company and its subsidiary undertakings made up to 30 June 2004. The group uses the acquisition method of accounting to consolidate the results of the subsidiary undertakings which are included from the date of acquisition.

#### *Turnover*

Turnover, which excludes value added tax and sales between group companies, consists of revenue derived from the supply of television broadcast equipment and services to the global broadcast market.

#### *Goodwill*

Goodwill arising on an acquisition of a subsidiary is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Goodwill arising on consolidation is amortised through the profit and loss account over the directors' estimate of its useful economic life of 20 years.

#### *Impairment of fixed assets and goodwill*

The need for any fixed asset impairment write down is assessed by comparison of the carrying value of the asset against the higher of its realisable value and value in use.

#### *Tangible fixed assets and depreciation*

Tangible fixed assets are stated at cost less depreciation.

Depreciation is calculated on a straight-line basis at rates designed to write off the difference between cost and estimated residual value of fixed assets over the life of those assets. The annual rates used are:

Plant and equipment	-	between 2 and 5 years
Motor vehicles	-	4 years
Hire stock	-	between 2 and 6 years
Leasehold property	-	over the remaining period of the lease

#### *Deferred tax*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except for deferred tax assets which are not recognised to the extent that the transfer of economic benefit in future is uncertain. Deferred tax liabilities and assets are not discounted.

## Gravity Media Group Limited

### Notes forming part of the financial statements for the year ended 30 June 2004 (Continued)

---

#### 1 Accounting policies (Continued)

##### *Stock*

Stock is stated at lower of cost and net realisable value.

##### *Foreign currencies*

Foreign currency transactions of individual companies with third parties are translated at the rates ruling when they occurred. Foreign currency transactions conducted within the Group are translated at fixed rates of exchange which are equivalent to market rates.

The results of overseas operations are translated at the average rates of exchange during the year and their balance sheets translated into sterling at the rates of exchange ruling on the balance sheet date. Exchange difference which arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to reserves.

The difference between the fixed exchange rates used during the period and those ruling at the balance sheet date are not material.

##### *Leased assets*

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

##### *Pensions*

The charge against the profit and loss account is equal to the employer's contributions for the year in respect of personal pension plans for individual employees.

##### *Valuation of investments*

Investments held as fixed assets are stated at cost less any provision for a permanent diminution in value.

## Gravity Media Group Limited

### Notes forming part of the financial statements for the year ended 30 June 2004 (Continued)

#### 2 Turnover and profit on ordinary activities before taxation

The turnover and profit before taxation are wholly attributable to the principal activity of the group.

An analysis of turnover by geographical market is given below:

	2004 £'000	2003 £'000
United Kingdom	14,140	12,064
Australia	2,744	2,993
USA	1,176	1,307
	<u>18,060</u>	<u>16,364</u>

#### 3 Operating profit

	2004 £'000	2003 £'000
Operating profit is stated after charging/(crediting):		
Auditors' remuneration		
Audit services - holding company	1	1
- group	20	25
Non-audit services	15	30
Depreciation - owned tangible fixed assets	3,402	3,558
- of assets held under finance lease	116	-
Amortisation of goodwill	15	15
Operating lease rentals - other	123	143
Profit on sale of fixed assets	(4)	1
	<u></u>	<u></u>

#### 4 Employees

	2004 £'000	2003 £'000
Staff costs (including directors' remuneration) consist of:		
Wages and salaries	2,605	2,619
Social security costs	273	262
Pension costs	25	23
	<u>2,903</u>	<u>2,904</u>

The average number of employees of the group during the year was 67 (2003 - 71), all of whom were engaged in the principal activity of the group.

**Gravity Media Group Limited****Notes forming part of the financial statements for the year ended 30 June 2004 (Continued)****5 Directors**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Remuneration in respect of directors was as follows:		
Emoluments	<b>315</b>	<b>313</b>
Company contributions to personal pension schemes	<b>25</b>	<b>22</b>
	<hr/>	<hr/>
	<b>340</b>	<b>335</b>
	<hr/>	<hr/>

The amounts set out above include remuneration in respect of the highest paid director as follows:

Emoluments	<b>212</b>	<b>210</b>
Company contribution to personal pension schemes (as above)	<b>25</b>	<b>22</b>
	<hr/>	<hr/>
	<b>237</b>	<b>232</b>
	<hr/>	<hr/>

**6 Net interest payable and similar charges**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable on bank loans and overdrafts	<b>268</b>	<b>124</b>
Finance charges in respect of finance leases	<b>6</b>	<b>352</b>
Other interest payable and similar charges	<b>32</b>	<b>52</b>
	<hr/>	<hr/>
	<b>306</b>	<b>528</b>
Other interest receivable	<b>(25)</b>	<b>(56)</b>
	<hr/>	<hr/>
	<b>281</b>	<b>472</b>
	<hr/>	<hr/>

**Gravity Media Group Limited****Notes forming part of the financial statements for the year ended 30 June 2004 (Continued)****7 Taxation charge on profit on ordinary activities**

	2004 £'000	2003 £'000
(a) UK corporation tax	437	261
Overseas taxation	123	293
Adjustments in respect of prior period	4	(5)
	<hr/>	<hr/>
Total current tax (b)	564	549
Deferred tax:		
Origination and reversal of timing differences (note 16)	(67)	(155)
	<hr/>	<hr/>
	497	394
	<hr/>	<hr/>
(b) Tax charge reconciliation		
Profits on ordinary activities before tax	1,226	1,143
Profits on ordinary activities at the standard rate of corporation tax 30% (2003 – 30%)	368	343
Effects of:		
Items not deductible	84	(30)
Depreciation in excess of capital allowances and other deferred tax movements	106	241
Adjustments to tax in respect of previous periods	4	(5)
Sundry timing differences	2	-
	<hr/>	<hr/>
	564	549
	<hr/>	<hr/>

**8 Profit for the financial year**

The parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The group profit for the year includes a loss of £34,000 (2003 –£87,000) which is dealt with in the financial statements of the company.



**Gravity Media Group Limited**

**Notes forming part of the financial statements for the year ended 30 June 2004 (Continued)**

**9 Intangible fixed assets**

<b>Group</b>	<b>Goodwill £'000</b>
<i>Cost</i>	
At 1 July 2003 and at 30 June 2004	<b>309</b>
	<hr/>
<i>Amortisation</i>	
At 1 July 2003	<b>51</b>
Provided in the year	<b>15</b>
	<hr/>
At 30 June 2004	<b>66</b>
	<hr/>
<i>Net book value</i>	
At 30 June 2004	<b>243</b>
	<hr/>
At 30 June 2003	<b>258</b>
	<hr/>

Goodwill relates to the acquisition of Gearhouse Broadcast Limited and Gearhouse Broadcast Pty Limited on 29 February 2000. The goodwill is amortised over 20 years, which is the directors estimate of the economic life of the assets acquired.

**Gravity Media Group Limited**

**Notes forming part of the financial statements for the year ended 30 June 2004 (Continued)**

**10 Tangible fixed assets**

<b>Group</b>	<b>Short leasehold £'000</b>	<b>Hire stock £'000</b>	<b>Plant, equipment and motor vehicles £'000</b>	<b>Total £'000</b>
<i>Cost</i>				
At beginning of year	360	19,026	1,016	20,402
Additions	-	4,935	162	5,097
Exchange movement	-	(21)	(18)	(39)
Disposals	-	(1,152)	(108)	(1,260)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	<b>360</b>	<b>22,788</b>	<b>1,052</b>	<b>24,200</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	143	9,078	655	9,876
Provided in the year	39	3,322	157	3,518
Exchange movement	-	(18)	(7)	(25)
Disposals	-	(697)	(19)	(716)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	<b>182</b>	<b>11,685</b>	<b>786</b>	<b>12,653</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 30 June 2004	<b>178</b>	<b>11,103</b>	<b>266</b>	<b>11,547</b>
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2003	<b>217</b>	<b>9,948</b>	<b>361</b>	<b>10,526</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value of assets held under finance leases</i>				
At 30 June 2004	-	<b>1,193</b>	-	<b>1,193</b>
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2003	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

## Gravity Media Group Limited

Notes forming part of the financial statements for the year ended 30 June 2004 (Continued)

### 11 Fixed asset investments

Company	Shares in group undertakings £'000
At 1 July 2003 and at 30 June 2004	1,738

At 30 June 2004 the group held 100% of the allotted share capital of the following undertakings:

Name	Class of share capital held	Proportion held	Nature of business
Gearhouse Broadcast Limited	Ordinary £1 shares	100%	Supply of television broadcast equipment and services
Gearhouse Broadcast Pty Limited	Ordinary AUS\$1 shares	100%	Supply of television broadcast equipment and services
Evolve Digital Limited	Ordinary £1 shares	100%	Supply of broadcast and professional equipment to the television and film industry
Inertia Productions Limited	Ordinary £1 shares	100%	Supply of production facilities
Gearhouse Broadcast LLC	Capital contribution US\$15,000	100%	Supply of television broadcast equipment and services
Inertia Event Solutions Pty Limited	Ordinary AUS\$1 shares	100%	Supply of presentation solutions
Gravity Broadcast Limited	Ordinary £1 shares	100%	Holding company
Gravity Media Group Pty Limited	Ordinary AUS\$1 shares	100%	Dormant
Gravity Broadcast Pty Limited	Ordinary AUS\$1 shares	100%	Dormant

Gearhouse Broadcast Limited, Evolve Digital Limited, Inertia Productions Limited and Gravity Broadcast Limited are incorporated in England and registered in England and Wales. Gravity Media Group Pty Limited, Gearhouse Broadcast Pty Limited, Inertia Event Solutions Pty Limited and Gravity Broadcast Pty Limited are all incorporated in Australia. Gearhouse Broadcast LLC is established in the United States.

# Gravity Media Group Limited

Notes forming part of the financial statements for the year ended 30 June 2004 (Continued)

## 12 Stocks

	Group 2004 £'000	Group 2003 £'000
Work in progress	152	46
Goods held for resale	1,071	415
	<u>1,223</u>	<u>461</u>

The directors do not consider that any material difference exists between the cost stated above and the present replacement cost.

## 13 Debtors

	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Trade debtors	2,565	737	-	-
Amounts owed by group undertakings	-	-	-	659
Other debtors	-	67	-	-
Prepayments and accrued income	203	255	-	-
	<u>2,768</u>	<u>1,059</u>	<u>-</u>	<u>659</u>

## 14 Creditors: amounts falling due within one year

	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Bank loans and overdrafts (secured)	1,823	2,378	-	555
Trade creditors	2,073	444	-	-
Amounts owed to group undertakings	-	-	167	37
Corporation tax	427	504	-	-
Other taxes and social security	52	138	-	-
Other creditors	45	98	-	-
Accruals and deferred income	2,884	792	-	-
Amounts due under finance lease and hire purchase contracts	340	8	-	-
	<u>7,644</u>	<u>4,362</u>	<u>167</u>	<u>592</u>

**Gravity Media Group Limited**

Notes forming part of the financial statements for the year ended 30 June 2004 (Continued)

**15 Creditors: amounts falling due after more than one year**

	<b>Group 2004 £'000</b>	<b>Group 2003 £'000</b>
Bank loans and overdrafts (secured)	1,671	3,495
Amounts due under finance leases and hire purchase contracts	976	36
	<u>2,647</u>	<u>3,531</u>

**Maturity of debt:**

	<b>Bank loans and overdrafts 2004 £'000</b>	<b>Bank loans and overdrafts 2003 £'000</b>	<b>Finance leases 2004 £'000</b>	<b>Finance leases 2003 £'000</b>
Within one year	1,823	2,378	340	8
Between one and two years	1,671	1,823	340	36
Between two and five years	-	1,672	636	-
	<u>3,494</u>	<u>5,873</u>	<u>1,316</u>	<u>44</u>

Bank loans and overdrafts of £3,494,000 comprise a term loan secured by means of a fixed charge over specific assets of the company. The loan is repayable in equal monthly instalments to 31 May 2006. The loan incurs interest at 2% above LIBOR.

**16 Provision for liabilities and charges**

<b>Group</b>	<b>Deferred taxation £'000</b>
At 1 July 2003	685
Charged to profit and loss account (note 7)	(67)
	<u>618</u>
At 30 June 2004	<u>618</u>

Amounts provided for deferred tax using a tax rate of 30% (2003 – 30%) are set out below:

	<b>2004 £'000</b>	<b>2003 £'000</b>
Accelerated capital allowances	618	591

# Gravity Media Group Limited

Notes forming part of the financial statements for the year ended 30 June 2004 (Continued)

## 17 Share capital

	Company 2004 £'000	Company 2003 £'000
<i>Authorised</i>		
71,327 ordinary shares of £1 each	71	71
378,673 'A' ordinary shares of £1 each	379	379
50,000 'B' ordinary shares of £1 each	-	50
	<hr/>	<hr/>
	450	500
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
71,327 ordinary shares of £1 each	71	71
378,673 'A' ordinary shares of £1 each	379	379
50,000 'B' ordinary shares of £1 each	-	50
	<hr/>	<hr/>
	450	500
	<hr/>	<hr/>

All shares rank pari passu. The ordinary shares and 'A' ordinary shares carry equivalent voting rights. The 'B' ordinary shares carry no voting rights.

On 23 April 2004 the company repurchased and cancelled the 'B' ordinary shares.

## 18 Share premium account and reserves

Group	Capital redemption reserve £'000	Share premium account £'000	Profit and loss account £'000
At 1 July 2003	-	675	4,102
Retained profit for the year	-	-	729
Exchange differences	-	-	9
Repurchase of 'B' ordinary shares	50	-	(200)
	<hr/>	<hr/>	<hr/>
At 30 June 2004	50	675	4,640
	<hr/>	<hr/>	<hr/>

**Gravity Media Group Limited**

Notes forming part of the financial statements for the year ended 30 June 2004 (Continued)

**18 Share premium account and reserves (Continued)**

Company	Capital redemption reserve £'000	Share premium account £'000	Profit and loss account £'000
At 1 July 2003	-	675	630
Loss for the year	-	-	(34)
Repurchase of 'B' ordinary shares	50	-	(200)
	<hr/>	<hr/>	<hr/>
At 30 June 2004	<b>50</b>	<b>675</b>	<b>396</b>
	<hr/>	<hr/>	<hr/>

**19 Reconciliation of movements in shareholders' funds**

Group	2004 £'000	2003 £'000
Profit for the financial year	729	749
Exchange differences	9	162
Repurchase of 'B' ordinary shares	(200)	-
	<hr/>	<hr/>
Net increase in shareholders' funds	<b>538</b>	<b>911</b>
Opening shareholders' funds	<b>5,277</b>	<b>4,366</b>
	<hr/>	<hr/>
Closing shareholders' funds	<b>5,815</b>	<b>5,277</b>
	<hr/>	<hr/>
Company	2004 £'000	2003 £'000
Opening shareholders' funds	1,805	1,892
Loss for the financial year	(34)	(87)
Repurchase of 'B' ordinary shares	(200)	-
	<hr/>	<hr/>
Closing shareholders' funds	<b>1,571</b>	<b>1,805</b>
	<hr/>	<hr/>

# Gravity Media Group Limited

## Notes forming part of the financial statements for the year ended 30 June 2004 (Continued)

### 20 Commitments under operating leases

As at 30 June 2004, the group had annual commitments under non-cancellable operating leases as set out below:

	2004 Land and buildings £'000	2004 Other £'000	2003 Land and buildings £'000	2003 Other £'000
Operating leases which expire:				
Within one year	-	-	-	7
In two to five years	37	36	40	32
After five years	39	-	39	-
	<u>76</u>	<u>36</u>	<u>79</u>	<u>39</u>

### 21 Net cash inflow from operating activities

	2004 £'000	2003 £'000
Operating profit	1,507	1,615
Depreciation	3,518	3,558
Amortisation	15	15
Profit on sale of tangible fixed assets	(4)	1
(Increase)/decrease in stocks	(762)	576
(Increase)/decrease in debtors	(1,711)	787
Increase/(decrease) in creditors	3,582	(5,417)
Exchange differences	26	129
	<u>6,171</u>	<u>1,264</u>
Net cash inflow from operating activities		

### 22 Reconciliation of net cash flow to movement in net debt

	2004 £'000	2003 £'000
(Decrease) in cash in the year	(608)	(901)
Cash outflow from financing	1,108	1,515
	<u>500</u>	<u>614</u>
Movement in net debt in the year		
Opening net debt	(4,366)	(4,980)
	<u>(3,866)</u>	<u>(4,366)</u>
Closing net debt		



## Gravity Media Group Limited

Notes forming part of the financial statements for the year ended 30 June 2004 (*Continued*)

### 23 Analysis of net debt

	At 30 June 2003 £'000	Cash flow £'000	At 30 June 2004 £'000
Cash in hand and at bank	1,551	(608)	943
Debt due after 1 year	(3,495)	1,824	(1,671)
Debt due within 1 year	(2,378)	555	(1,823)
Finance leases	(44)	(1,271)	(1,315)
	<hr/>	<hr/>	<hr/>
Total	(4,366)	500	(3,866)
	<hr/>	<hr/>	<hr/>

### 24 Contingent liabilities

The company is part of the intercompany guarantee in which it has guaranteed the bank borrowings of other companies within the group.

### 25 Post balance sheet events

On 12 August 2004 the 378,673 issued 'A' ordinary shares of £1 each were redesignated as ordinary shares of £1 each, and the 50,000 authorised 'B' ordinary shares of £1 each were redesignated as ordinary shares of £1 each. On the same date the authorised share capital was increased by the creation of 200,000 additional ordinary shares of £1 each.